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Hearing on Enforcement of Proposition 103 by the Insurance Department

Senate Committee on Insurance, Claims and Corporations

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CALIFORNIA LEGISLATURE
SENATE COMMITTEE ON INSURANCE, CLAIMS
AND CORPORATIONS
SENATOR ALAN ROBBINS, CHAIRMAN

Hearing on
**ENFORCEMENT OF PROPOSITION 103
BY THE INSURANCE DEPARTMENT**



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APR 4 1989

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February 1, 1989
State Capitol, Room 112
Sacramento

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California Legislature

SENATE COMMITTEE ON INSURANCE, CLAIMS AND CORPORATIONS

ALAN ROBBINS
CHAIRMAN

SENATE COMMITTEE ON INSURANCE, CLAIMS AND CORPORATIONS
February 1, 1989
State Capitol, Room 112
1:30 p.m.

ENFORCEMENT OF PROPOSITION 103 BY THE INSURANCE DEPARTMENT

AGENDA

1) Explanation of Purpose of Hearing - Senator Alan Robbins, Chair

2) Louis DeGeorge - Former Policyholder

3) Russell Press, Jr., Vice President

The Travelers Insurance Companies

4) Steve Miller

Insurance Consumer Action Network

5) Gene Livingston, Counsel

State Farm Mutual Automobile Insurance Company

6) Department of Insurance

- Roxani Gillespie, Insurance Commissioner
- John Faber, Chief Counsel

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GOLDEN GATE UNIVERSITY

CHAIRMAN ALAN ROBBINS: If I could ask everyone to, please, take a seat.

We have our new committee decor for the day from a recent Sacramento Bee article. We -- I will dispense with making a formal opening statement. There's a copy attached in the press packet of the opening statement I made at the committee hearing in Los Angeles Monday of last week. So that contains enough rhetoric.

I have promised a constituent of mine who has some complaints that he can testify first. We will then hear from Travelers Insurance, Insurance Consumer Action Network, State Farm, if there's anything they wish to testify on, and the Department of Insurance. Let me ask Mr. Louis DeGeorge to come forward. I would like to be able to move through all of our preliminary witnesses and get to the Insurance Commissioner by two o'clock, if that is satisfactory with the rest of the members of the committee.

Mr. DeGeorge, you have called our office a number of times on the subject of insurance; sometimes to yell at us, sometimes to yell at the Department. Tell us your story.

MR. LOUIS DeGEORGE: I am a constituent of yours from Van Nuys. I'm 62 years old -- I will be in one week's time. I'm in California 18 years; 17 of these years I never had insurance. Finally, the law came out, by you -- I was compelled to have insurance. So I went out and I got insurance. Then I get a nonrenewal by my insurance company telling me they're not going to renew me, and I have documents here for, I guess, everybody on the committee to support the evidence.

CHAIRMAN ROBBINS: Sergeant, you want to distribute those to committee members, please.

MR. DeGEORGE: My insurance company was AIU. I was happy to have insurance finally. I obeyed the law. Then, when I got the nonrenewal notice, I got it the day before election day, November 7. I signed for it. Certified mail return receipt. Needless to say, I was angry -- I'm angry now -- because they nonrenew me with no reasons. Never had an accident in 45 years of driving -- 46 years of driving. Never had a ticket. I always pay my premium on time, but why are they nonrenewing me? I don't know. They don't explain it to me.

When I got the letter, I called Jim Cathcart -- and I was angry -- from your office here in Sacramento. And his office told me that AIU has nonrenewed all its California policyholders. This was on December the 13th. December 23rd, I received a letter from Jim Cathcart of your committee with a California Department letter telling me that AIU was in violations of the law. How could they violate the law when I had obeyed the law?! And they are violating the law and the California Department of Insurance Commission is doing nothing about it. She's stalling. Why? Who's behind it? For what reason is she stalling? There's got to be more to it.

I filed a complaint with the California Department of Insurance. And they take complaints, but it

takes a long time and a long time before they do anything. I did this on January the 12th. Not knowing where I am, I sent a renewal check because AIU was not obeying the law to AIU Insurance Company, Wilmington, Delaware. I sent a premium check, the last check, same amount I sent them for the last half of my insurance for 1988. I sent this check to them on January the 18th.

January 19th, I get a letter from Rydell Agency contacting me about my renewal. When I called them back, they said they would renew me, but at a higher premium on a new one-year policy with a different company, assigned risk. I don't want assigned risk. There's no reason why I have to go to assigned risk. Anybody with 100 percent perfect driving record should not be on assigned risk. I wanted to be with AIU on a six-month policy. When I stated I wanted to renew my old policy, the broker tried to get me again to go on the assigned risk. I told I had sent the renewal payment to AIU and I demanded that they obey the law. And I still, now, to this day -- my policy expired on January the 28th -- I don't even know if I'm insured. I could be driving now without insurance.

January 23rd, AIU signed the receipt, acknowledged receipt of my check and the letter that the California Department of Insurance sent me to send to them, and my own letter.

January 27th, I went to the Department of Insurance in Los Angeles and saw Mrs. Howard, who is handling the investigation for me, supposedly. She made copies of a lot of the papers that I had; and after she made copies of them, she told me that she was going to call me the following day and let me know what is going on. Mrs. Howard said -- she made arrangements -- said that she made arrangements for me to be insured by the -- I'm sorry. Mrs. Howard said Rydell made arrangements for me to be insured by the California Assigned Risk and another company to pick up the excess because I had more than \$15,000/30,000/5,000. And the whole amount, I think, came to \$1,062. Previously, I was paying, like, \$660. Now I'm paying \$1,062 plus finance charges -- over \$1,250. That's more than double what I was paying for insurance. And there's no reason why I had to be put through this here. Because they're not enforcing the law.

My insurance is expired. I really -- I don't know if I'm legally insured. There's a lot of you gentlemen here, I believe, are attorneys. I don't know. Maybe you know if I am insured. I paid the premium. I sent them the letter. They are in violation of the law. Whether I'm insured or not, I don't know. And I do have, like I say, 100 percent perfect driving record; and I'm almost 62 years old.

CHAIRMAN ROBBINS: Okay, thank you. Questions from the committee. Okay, Mr. DeGeorge, thank you. We will continue to assist you in getting clarification. I think it is a clear-cut case, based upon our committee analysis that we did November 13 -- pardon me, December 13 of last year, that your insurance company has acted illegally in refusing to renew your automobile insurance. We will work with you and ask the Department to continue to work with you to ascertain the resolution of your matter.

MR. DeGEORGE: May I just say one thing else? How do they get away with it? Why isn't the Commissioner of Insurance enforcing the law that I had to obey the law, and all these insurance companies look to wiggle out of obeying the law? It's not right.

SENATOR ED DAVIS: Mr. Chairman, ... AIU, is that -- who is AIU?

CHAIRMAN ROBBINS: AIU is a fairly large company. They're a billion dollar plus asset company out of Delaware.

SENATOR DAVIS: Did they nonrenew all policyholders?

CHAIRMAN ROBBINS: It's our staff's understanding that that's what they were doing at that time. They're not -- they're part of the American International group. They're not a large writer of -- well, I'm not sure about that. Let me -- I will ask the Commissioner when she's testifying as to the number of policies, if the Department has it, that they have in California. Jim, do you have the numbers?

(Inaudible comment.)

CHAIRMAN ROBBINS: Travelers was the only -- presuming they're not renewing, to the best of my knowledge, they're not of the size in terms of auto business in California of Travelers. But Travelers is the only company with a substantial number of California policies that it was refusing to renew. Though, as of today, they are renewing policies. Why don't we go next to Travelers.

SENATOR DAVIS: ... one more question. Is Mr. DeGeorge the only one not renewed by this company? Are there others who have complained to the committee?

CHAIRMAN ROBBINS: Yes, there are other people that have complained to the committee as well.

SENATOR DAVIS: About AIU? Okay.

CHAIRMAN ROBBINS: Travelers Insurance, Mr. Russell Press. On February 1, ...

MR. RUSSELL G. PRESS, JR.: Yes, sir.

CHAIRMAN ROBBINS: 1898 -- 99 years ago today -- the first automobile insurance policy ever issued was issued on that date. Mr. Press knows the answer of the name of the company that issued it. Travelers Insurance issued the first automobile policy issued on that date. We are pleased today, 99 years to the day later -- pardon me, 91 years to the day later, to have Travelers rejoining the California automobile insurance market, at least for a while.

Mr. Press, welcome back to the California insurance market. I have, I want you to know, a red Travelers Insurance ...

MR. PRESS: Is it a Travelers umbrella?

CHAIRMAN ROBBINS: Yes, this is an official Travelers -- it's slightly worn -- official Travelers Insurance umbrella. And I'll -- since the Commissioner yesterday issued the order to your company, I'm going to give it to the Commissioner to have as a souvenir for having brought you back into the California market.

MR. PRESS: Senator, could I just inform the committee of what we have done since the order?

CHAIRMAN ROBBINS: Yes, we would like very much to have you inform ...

MR. PRESS: ... only take a couple of minutes to do that. It won't take very long.

CHAIRMAN ROBBINS: Please.

MR. PRESS: As you are aware, the California Department of Insurance ordered The Travelers yesterday to renew private passenger automobile insurance in California. Travelers has agreed to immediately comply with the order and has initiated the necessary steps to do so.

We are in the process of sending out letters to auto policyholders who previously were issued nonrenewal notices after November 8 informing them that Travelers will offer to renew their policies. In addition, the company will open four toll-free "hot lines" in California to respond to policyholders whose

policies have been nonrenewed or who have received notice of nonrenewal.

Travelers has nonrenewed about 1,900 policies. In addition, the company has sent out notices that another 3,100 policies would not be renewed.

Despite our decision to comply, Travelers strongly disagrees with the Department's ruling and will appeal the order. We will be asking the California Supreme Court to review the decision as quickly as possible.

We maintain that a private business has a right to cease doing business. Travelers has surrendered the licenses of its companies that write private passenger auto insurance in California, and those companies are withdrawing from the state. Moreover, we believe Proposition 103's mandatory renewal provisions do not apply to policies written before its adoption. As a result, we believe the renewal provisions of Prop. 103 do not apply to these companies.

We remain convinced that our position is correct and will be vindicated in the courts. As I've said to you before, Senator Robbins, and to the committee, Travelers believes in complying with lawful orders, and we are going to move ahead and do that as expeditiously as possible. And we're implementing that, starting today.

CHAIRMAN ROBBINS: Let me thank you for doing so, because by doing so, you are pursuing your legal challenge in the courts in a manner that does not subject your policyholders to being placed in a situation of financial difficulty. And while you pursue the matter in court, your policyholders are insured and are able to comply with California law and are not forced to go out and get insurance at a time when it is difficult for people to obtain insurance and where new applicants are being hit with high rates in many places.

Just so I -- I would like to just ask a couple of questions, and other committee members may have other questions. Do I correctly understand what you say, that any person who has received one of the blanket nonrenewal notices that you began issuing in late December, that all of those notices are hereby rescinded?

MR. PRESS: That is correct. Those that were issued after November 8.

CHAIRMAN ROBBINS: Okay.

MR. PRESS: Notices that were issued after November 8. We will be contacting those policyholders, the ones that have become effective already, and asking them if they want renewal insurance with Travelers. And we are asking them to go to their agents -- we'll be giving them a letter. A letter will be sent to them so that they can have this rescission made.

As far as notices that are out, where the nonrenewal has not yet become effective, we will be indicating to them by letter that they should forget about that notice, basically, and if they have any questions, to contact their agents.

CHAIRMAN ROBBINS: Okay. That is certainly all we could ask for. That is an across-the-board policy of renewing auto insurance, which is what Proposition 103 requires. And we are very pleased that Travelers is complying with the law.

Let me say to the members of this committee that I think that all the members of this committee are entitled to some substantial credit for having been willing to attend the various hearings we've had

and to have participated in the process over the last few months to have helped to provide the will and direction in this state to bring Travelers back into the market. With Travelers back in the market, we have reached a situation where every major insurance company is, at a minimum, renewing its automobile policyholders in what could have been, over the last few months, a tremendous panic in the automobile insurance market.

SENATOR DAVIS: Except for Mr. DeGeorge.

CHAIRMAN ROBBINS: We're working on his individual situation. It would be my conclusion that since he sent them the amount of his last policy and since they have acknowledged receipt of it, that he is legally insured since their notice was not legally effective in the first place. However, the Department may have some further information with respect to AIU.

SENATOR DAVIS: Mr. Chairman.

CHAIRMAN ROBBINS: Senator Davis.

SENATOR DAVIS: We might to suggest to Travelers that they get back their -- if you surrendered your certificate of insurance to operate a business, that you get that back so you don't go to jail for selling new policies without authority. (Laughter.) I don't know what impact surrendering it has, whether that ...

CHAIRMAN ROBBINS: Well, I think I would use a different term. What they did was they applied to the Commissioner to withdraw from the market, and the Commissioner has yet to act on that.

Mr. Press, thank you very much. We told you if you were writing policies the questions would be easy.

MR. PRESS: Thank you.

CHAIRMAN ROBBINS: Steve Miller, Insurance Consumers Action Network.

MR. STEVE MILLER: Good afternoon, Mr. Chairman and members. I'm here today to testify about this aspect that has been causing great chaos in the marketplace for consumers and particularly to thank this committee for its actions with respect to the issue of nonrenewal and the cancellations. This is not an action that is limited to the companies that have been named publicly so far. My office receives dozens of complaints a week from consumers who have been similarly affected.

One company in particular that has communicated with their policyholders of nonrenewal has been Allstate. I've got correspondence from one consumer that was nonrenewed from Allstate with Allstate's explanation being two claims over a thirty-year period. The consumer called me; and recognizing the protection of current law, since the passage of 103, that a claims experience is not itself reason for cancellation, I encouraged the policyholder to send in the premium, write a letter to the company challenging their action, although the Senator recognized it's tough advice to give to somebody who's concerned about whether their policy will be in effect or not. The consumer had a certain amount of lead time, so he took that action and was informed by Allstate that as far as Allstate was concerned, that because the letter went out on November 2, prior to the election, that that action wasn't covered by the passage of Proposition 103. Other insurance companies have taken similar steps.

Current law is 103. That law is in effect with regard to cancellation and nonrenewal. The Insurance Commissioner's mission and the Department of Insurance's mission is to protect California

consumers, protect those policyholders. There is great confusion as to just what the Commissioner's intentions are with respect to implementing current law as you well know. We are concerned that the Commissioner take the lead today and provide that protection that California consumers have every right to expect. Proposition 103 may not have resolved all of the issues in insurance, to be sure. The Supreme Court is obviously examining some provisions that have been challenged by the insurance industry, but there is no stay with regard to the broad protections under Proposition 103.

California consumers need the leadership of the Department of Insurance in protecting their interest today. That leadership should include an immediate regulation with respect to the conduct of all California insurance companies in the area of nonrenewal, the area of cancellation, in order to comply with the mission of the Department of Insurance which is the protection of California consumers.

Thank you, Mr. Chairman. I'd be happy to answer any questions that you might have.

CHAIRMAN ROBBINS: Thank you. Members of the committee? Thank you very much.

MR. MILLER: Thank you.

CHAIRMAN ROBBINS: The hour of two o'clock having virtually arrived, Roxani, it's time -- let me give you a present first. You deserve this. I want to tell you, I have had occasion to critique you and that has been the case, but I want to tell you I have never had anything but respect for both your intelligence and your commitment to the people of the State of California.

Yesterday, you issued the order we have been prodding you, not always gently, but always in good spirits, over the last few months, to Travelers; and Travelers as of today is back in the market. I'm pleased and I think many of my colleagues on the committee are. I think that you deserve a souvenir for that to add to your list of mementos.

COMMISSIONER ROXANI GILLESPIE: You want me to come and get that umbrella?

CHAIRMAN ROBBINS: Roxani, you deserve a Travelers umbrella. Wait a second.

COMMISSIONER GILLESPIE: Thank you very much, Senator. (Chuckles.)

CHAIRMAN ROBBINS: You also had a comment or two along the way about our committee's prodding of your Department. We saved your comment for the committee members and my response on behalf of the committee. It is only fair you get a chance to say your comments and it's a case of the lion coming into Daniel's den. Please rip at us.

COMMISSIONER GILLESPIE: It's interesting that you would have mentioned the lions and the Christians. My husband, yesterday, as he was watching television, said, "Gee, it looked to me like one Christian and a lot of lions."

Let me just mention one thing here. I am going to make some comments and they don't apply to everyone, obviously, in the Legislature. But in the last few weeks, I have been asked to come before the Legislature four times, which I am really starting to consider is a trifle excessive. I have some comments here that I really want to make.

I did not like the way that you advertised the featured subject of this hearing. It's called "Insurance Commissioner Roxani Gillespie explains delay in enforcement of Proposition 103." If that were truly the subject, this would have been the shortest committee meeting on record. Because I can unequivocally say for the record -- there is no delay. None. No foot-dragging. No hesitation, no blinks of the eye.

The Department of Insurance has been vigorously enforcing Proposition 103 provisions released from stay by the Supreme Court since December 7. We are looking to the Supreme Court to deliver the rest of our assignments later this year.

Let me profile an example of our Prop. 103 enforcement by using one of your favorite cases, Travelers Insurance:

Travelers Insurance Companies -- failure to renew auto insurance policies.

12-23-88 -- DOI issued notice of noncompliance

12-28-88 -- DOI set hearing date

1-4-89 -- DOI hearing held on Travelers

1-31-89 -- DOI final decision and order issued.

Now how's that for regulatory response? In how many courts can you conduct an investigation, build a case, file charges, and mete out justice in less than three months? And the problem with the Travelers case is that it's a lot more complex than just a 103 matter. If Travelers has had its way, it would have second questioned the whole safety and soundness of the insurance system. The insurance companies would have become irresponsible shells. They would have been able to come to us and said, "We don't want to do business here anymore; here's our certificate of authority; take your liabilities; take your customers; we're going back to Hartford." It was an important case. How should I have handled it? Should I have written my decision on the back of a napkin on New Year's Eve? I simply don't agree with that way of doing it.

I am told that the average case in a civil court now drags through the judicial system for three to four years. But the Department of Insurance brought in the verdict for California policyholders in record time. Only a kangaroo court could have delivered any quicker than that. And remember, our result stands on due process of law, something you won't find in a kangaroo's pouch.

We're breaking new ground with enforcement of the issues and of insurance laws every day. We're taking on industry leaders like State Farm, Fireman's Fund, and Travelers. And what do we hear from you? Charges that we're foot-dragging. That's not what the record shows.

If we want to discuss footwork, let's examine the "legislative shuffle", the legislative record in dealing with insurance reform, inertia. For years, policyholders were treated like wallflowers at the prom while the trial lawyers and insurers dominated the dance record -- the dance card. Consumers were finally driven to the initiative process in desperation because of the lack of activity.

Well, I'm here to tell you the Department of Insurance will not be your whipping person on this one. The Department has a record. And no amount of grandstanding or upstaging can erase it. We enforce the insurance laws on the books. These laws are given to us by you, the legislators. My Insurance Code is your product.

If you the legislators aren't happy with the fact it takes a 30-day notice period before a company can be brought to hearing, don't call you capitol correspondents and tell him I'm dragging my feet. If you don't agree with the law, change it. Only the Legislature can rewrite the Insurance Code. I cannot.

If you think the fines I'm able to assess under the Insurance Code are nickels and dimes to insurers, don't ring the media and tell them that I'm letting insurers off cheap. Change the law. Only the

Legislature can do that.

You know that I have been Commissioner since July 1986. I have been on the front line listening to consumers, helping them resolve their insurance problems. From 1986 to 1988, the Department has recovered more than \$51 million for California consumers. And let me tell you, this is not a happy pack of policyholders. We hear from them every day. In 1986, we had 153,000 calls. That figure jumped to 206,000 in 1987. Last year, we had almost 228,000 people calling. That translates to 950 calls a day.

In 1988, we opened 20,000 files in our Claims Services Bureau, more than 4,000 in our Rating Services Bureau, and more than 13,000 in our Underwriting Services Bureau. But the best news is exactly that from 1986 to '88, the Department recovered more than \$51 million for California consumers. That's a \$51 million bottom line on our services.

You know we're taking care of the customers of the insurance industry. If the insurance industry did a better job in customer relations, we wouldn't have to answer those 950 calls a day. There's no doubt that both the Legislature and the Department of Insurance have a job to do for California consumers. Insurance reform is an enormous undertaking, one that requires perseverance, hard work, and objectivity. It can't be handled by headlines and sound bites. Grandstanding and distorted dialogue will simply not deliver the goods.

I propose that we get down to the task before us. I really extend my hand to you and ask for your help and leadership. Join me in an honest effort on behalf of the citizens of this state. I will answer any questions that you wish.

SENATOR DAVIS: Bravo.

COMMISSIONER GILLESPIE: Thank you, Mr. Davis. As you can tell, I mean it.

SENATOR DAVIS: Right.

CHAIRMAN ROBBINS: Roxani, I did not want to in any way interrupt your statement. I wanted to give you full opportunity to make a statement on behalf of what you have done as Commissioner. I have said several times that I have the highest regard for you.

With respect to the situation that we all face together, we being everyone who is part of the government of the State of California, we have an obligation to move and to move as quickly as we possibly can in a reasonable period of time. The -- in your statement -- I just want to ask you a couple set of questions about your statements and I'll get into what the committee's business was.

In your statement, you say that it's the "legislative shuffle, the Legislature's record in dealing with insurance reform"; and "For years, policyholders were treated like wallflowers at the prom while the trial lawyers and insurers dominated the dance card."

The Department has tended to either be neutral or opposed on legislation that would put restrictions on insurance companies or legislation that would bring down the cost of automobile insurance. I think that -- my understanding from the papers as yesterday, you indicated you're going to recommend to the Governor to oppose Assemblyman Johnston's legislation that would put a rate freeze, a temporary rate freeze in effect, until the Supreme Court rules on Proposition 103.

I think the Department has done a good job over the years in administration law. I don't think the Department has taken an aggressive posture in supporting legislation to bring down the cost of

insurance. If there is some specific bills that you supported in the last legislative session to bring down the cost of insurance, please let me give you the opportunity to comment on them.

COMMISSIONER GILLESPIE: The problem has been, Senator, that a lot of what we we are seeing is piecemeal. A lot of it we know is not going to go anywhere. Some of it, in my opinion, is plainly unconstitutional. And that is the kind of thing that I mean, it does not help the whole problem. What we truly need is an overall, common-sense approach that takes care of both sides in a thoughtful manner. Now you were involved, or your staff was last year ...

CHAIRMAN ROBBINS: Both of us.

COMMISSIONER GILLESPIE: ... in an effort -- yes, and I was watching it too. And in my opinion, that is the way to go. Even though I didn't see the final product, the concept was there. I have never seen that product see the light of day. I have not seen anything of that nature come up ever again or before. But if there are problems that are political, which I do not understand, then I believe they should take second -- how shall I say? -- second chair, second place. We need a common-sense, public-policy-type approach, not piecemeal, not little bits here, little bits there that tend to just distort or fiddle with the total concept. It has to be done from the ground up.

CHAIRMAN ROBBINS: The Governor will be pleased to hear that you twice included the term "common sense" in your proposed approach.

COMMISSIONER GILLESPIE: I support common sense with all my heart.

CHAIRMAN ROBBINS: So does Governor Deukmejian. Let me ask you, in terms of the timing: we do try in this committee to be very good about keeping our word on time, on date. When we say we'll do something by a date, we try and do it. When we tell someone that they're going to be on at a certain time, we try to keep it.

You advised this committee in early December, and I don't want to misstate, so -- "Urgent. Please deliver the following message to Senator Robbins as discussed by phone this morning. Insurance Commissioner Roxani Gillespie is still attempting to reach her legal counsel who is attending the National Association of Insurance Commissioners Meeting in New Orleans. However, she advised that a cease and desist order will be issued to Travelers by the end of this month."

Now your department proceeded, instead of a cease and desist, with a compliance approach. Either one accomplishes the objective legally of what needs to be done. But I feel you owe this committee an explanation, why the process was not able to be completed by December 31 and why several thousand policyholders, because of that, were subjected to having to face the problem of either being without insurance or going to a different insurance company or paying more.

COMMISSIONER GILLESPIE: I did exactly what I intended to do, which was issue a preliminary order in the Travelers matter by year end. That is exactly what happened in the case of the Fireman's Fund. Now what the Fireman's Fund chose to do was, in response to the preliminary order, to also sign a consent order which permitted them to continue renewing their policies, they felt, at the same time, preserving their rights. Counsel for Travelers did not accept this approach. I had no way of knowing at that time. It is extremely unusual for a carrier not to accept a preliminary order from the Department of Insurance. Most of them do. And therefore, what happened was that

Travelers did not accept the preliminary order. There was no consent order. And therefore, we had to go through the full route of the total hearing without the protection that we achieved in the Fireman's Fund case. It is a question of different lawyers with different interpretations. My intent was a preliminary order. That was done. It's too bad that you and I did not have an opportunity to discuss what the real legal issue was.

CHAIRMAN ROBBINS: Roxani, on the Travelers case, Travelers waived all notice periods. This committee staff had prepared a memo on December 13 that indicated it was illegal. When you testified before our committee on December 14, you agreed 100 percent with that memorandum that the Travelers' action was illegal. Since Travelers waived the notice period, since the order that was written is a five-page order, why six weeks to go through the process and get it to the point where the hearing is held and the order is written?

COMMISSIONER GILLESPIE: When we hold a hearing, it's not a kangaroo court. Things are not predetermined. What I was trying to explain is that Travelers really threw an extremely important and dangerous problem right into their case. They didn't just attack 103, which is what you and I were discussing at your hearing. They attacked the whole fundamental concept of how does an insurer withdraw. Does an insurer simply say, "Here's my certificate and now I am above the law"? This has been the contention of The Travelers, and we have been reading gobs of briefs yea high regarding that issue which, in our opinion, was extremely dangerous. We did our best to protect all California policyholders from here on. It was not a question of dragging our feet. It was a question of an issue being put in there that was much bigger than 103.

CHAIRMAN ROBBINS: The issue, though, is certainly a part of 103, certainly the question of withdrawal ties to the renewal requirement. If there were no renewal requirement, the insurance company would not care whether they held the certificate or not, if they didn't have to renew the auto insurance policy.

COMMISSIONER GILLESPIE: Well, but some companies have taken other ways in that analysis. Some of them, like Fireman's Fund, simply are trying to do it on a nonrenewal. There are many ways in a legal manner, in a sort of, from a legal theory standpoint, to analyze and proceed for your client's best interests. These people took that approach. It's not necessarily the only approach.

CHAIRMAN ROBBINS: Okay. But the reason was -- when I spoke in December to Ray Bacon, your Deputy Commissioner, and he informed me that what the Department could do would be to hold a hearing and issue the order at the hearing, by that time, clearly, you knew the legal issues The Travelers were relying on.

COMMISSIONER GILLESPIE: I knew the legal issues. Mr. Bacon is not a lawyer.

CHAIRMAN ROBBINS: Well, wouldn't it be a good idea for the Deputy Commissioner who is handling the matter, before responding to a member of the Legislature, to check with the legal staff, or if afterwards he found out that it was different, to call and let us know?

COMMISSIONER GILLESPIE: Well, I'm sorry that he didn't call, but he actually called me in Spain -- it was 1:00 a.m. -- and he was trying to understand the issues. So you certainly got his attention.

CHAIRMAN ROBBINS: Well, I told him I expected an answer. I have been known to be a bit on the aggressive side. Though, today I'm in a very gentle mood because the order's been issued, Travelers is writing insurance, the hearing's been set on State Farm. This is the kinder, gentler side of Alan Robbins that you're seeing today.

The delay was so that the hearing could be held, so that the procedure could be followed.

COMMISSIONER GILLESPIE: Can I interrupt? And the appropriate legal analysis done.

CHAIRMAN ROBBINS: But the order that was issued is essentially the same legal analysis that was done by the attorney who presented the case for the Department on January 4.

COMMISSIONER GILLESPIE: No, because more briefs were filed in the meantime.

Senator, don't look for foot dragging. There isn't any. What you've got is a very difficult issue that people were trying to set precedent and I was simply not going to go for it. And there has been a lot of pressure for that precedent. There has been a lot of totally undue pressure, both within the Department and outside. And I just simply was not going to go along with it. This was a case of great danger.

CHAIRMAN ROBBINS: What was the undue pressure? Part of the undue pressure was this committee pushing you, sometimes not gently, to issue an order. What was the other undue pressure?

COMMISSIONER GILLESPIE: I would rather not say. I don't think it's appropriate.

CHAIRMAN ROBBINS: Well, I have to be honest with you. This committee has a responsibility as the insurance committee of the Senate to be able to properly handle whatever has taken place. And if there was undue pressure to prevent your department from issuing the order, or undue pressure to issue an order in a different direction, our undue pressure has been out there in the public, in the public light, what was the undue pressure in the other direction to keep your department from issuing the order that it issued?

COMMISSIONER GILLESPIE: You will note that attached to my statement is a letter where I say that with regards to The Travelers and Fireman's Fund's matters, which are still in litigation, I will comment only on my final decisions in those cases. I have made those decisions and they stand and they are final, and that is all I'm going to comment upon because those matters continue to be in litigation.

CHAIRMAN ROBBINS: However, at the same time, you've been commenting on it. You've made ...

COMMISSIONER GILLESPIE: Then I guess it would be a good idea for me to stop.

CHAIRMAN ROBBINS: You've made the statement that there were undue influences. I feel it's significant and important for this committee to know what the undue influences, or attempted undue influences, which obviously were not successful, to keep you from issuing the order that you issued with respect to Travelers.

COMMISSIONER GILLESPIE: Senator, I will maintain what I say in my letter.

CHAIRMAN ROBBINS: Let me ask you, if I may, a specific question. I ask this not to just repeat something that's been stated to me but also to clear up the issue because that's the purpose of our hearing.

I have been advised that there was within the Department an advocacy against issuing the order that was issued on Travelers and that in fact a different proposed decision was prepared that did not take the same strong tact this decision takes with respect to Travelers. I'd like to ask you: Is that the case and was such a different proposed decision prepared?

COMMISSIONER GILLESPIE: Senator, I make the decisions and my final decision is exactly what it is. I considered the decision that had been done and my decision is the one that you probably already have.

CHAIRMAN ROBBINS: Not probably already have. We definitely already have it.

SENATOR DAVIS: Senator Robbins, might I ask you if you would disclose the source of your information?

CHAIRMAN ROBBINS: I have no problem in disclosing the source of my information. It came from an employee of the Insurance Department.

SENATOR JIM NIELSEN: Mr. Chairman.

CHAIRMAN ROBBINS: Senator Nielsen.

SENATOR NIELSEN: On that point, and I accept the answer of Commissioner Gillespie, but anyone who is decision maker is provided many different options or considerations. I don't know whether that's the case with Commissioner Gillespie. But what is the reality is a decision was rendered. And as far as I'm concerned, our deliberations are predicated on that decision and where we go next.

CHAIRMAN ROBBINS: Anyone who is a decision maker is given various options to consider. I have not the slightest doubt and would personally vouch for the integrity of the Insurance Commissioner, Roxani Gillespie. I've worked here long enough to know that the Insurance Commissioner is not someone who's integrity can be compromised.

What I have been told in this case involves not just the question of a decision consideration but that it, but an effort that went as far as the preparation of a proposed decision that did not take the same strong tact that the commissioner took with respect to Travelers. The Commissioner in her comments stated that there were undue influences brought to bear both -- and I'm not trying to put words in her mouth, I'm trying to repeat it, I don't want to repeat incorrectly -- both in and out of the Department. It is always one of our, one of the perennial problems that this commissioner, any commissioner, has to deal with an insurance department, is that many of the employees in the Department who have experience in the insurance industry obviously worked, acquired that interest working for particular insurance companies. Many of the -- one of our problems is we lose a lot of qualified employees from the Department who leave to go to work for insurance companies because we're not able to provide comparable pay scales in the Department for experienced personnel.

COMMISSIONER GILLESPIE: Senator, may I just correct that? That is really not the case. We don't lose people to the insurance industry, very few. Most of our people are there because they like what they do. It's true. I, you know -- we don't lose too many people, only in the actuarial, or areas like that. Very few.

CHAIRMAN ROBBINS: But there are a substantial number of people that we do lose. And

recognizing of what I was previously told, that came from an employee of the Department, and of what the commissioner said about undue influences, it therefore seemed appropriate to pursue the line of questioning of what those undue influences were, number one; and number two, did it -- was there a proposed decision in writing that was substantially different with respect to Travelers and was there any -- what can be done to avoid undue influences in the future? Obviously, the Commissioner is here voluntarily, so we're, you know, she is free to answer as fully or not as she wishes. Though personally, I would like a little better clarification of what undue influences were involved.

COMMISSIONER GILLESPIE: Senator, I really would rather -- I am not very comfortable answering all these things because the matters are still in litigation. I am not comfortable. I just don't know enough in terms of what I can say and what I can't say. I would be more comfortable saying: Here's my final decision and it stands. I'm sure there is going to be all kinds of continuing saga on this. I would like to have the opportunity to know what the right or legal prospectives are. I don't.

CHAIRMAN ROBBINS: Let me ask you a question. In the legal proceeding that's going to take place, won't the parties to that legal proceeding, through the discovery process, ultimately obtain a copy of the proposed decision if there was a different one?

COMMISSIONER GILLESPIE: That would be my gut level. But again, I am just not comfortable. I don't know enough and I don't want to jeopardize what I have done.

CHAIRMAN ROBBINS: Okay.

SENATOR DAVIS: Mr. Chairman.

CHAIRMAN ROBBINS: Senator Davis, I'm about to be kind and go on to the State Farm subject, if going on to State Farm can be classified as being kind.

SENATOR DAVIS: I'd just like to say, on behalf of the Commissioner's position, that all of us have subordinates who come in, who get influenced by outside influences and transmit those, them to us and recommend courses A, B, or C and we might like D. And to attempt to drag out, you know, that could inhibit people with coming up with a recommendation to the boss until they can just figure out how to mirror what the boss thinks. Because I don't think it's healthy to try to smoke out either through the lawsuit or here in this committee what recommendation was made, by whom, and what it said, and how it was rejected by the Commissioner. As she has stated, she is the boss. By law, she has the responsibility of making that judgment. She made it; it was hers.

CHAIRMAN ROBBINS: She has stated she is the boss. She has also stated there were undue influences both inside and outside of the Department but ...

SENATOR DAVIS: There always are on all of us all the time. Trial lawyers, the insurance industry, the consumers -- they've all tried to unduly influence all of us and, but she's strong enough to resist that and make her best judgment. And I think we ought to let it lie there.

CHAIRMAN ROBBINS: Well, I was prepared to go on to State Farm. Let's talk about State Farm.

COMMISSIONER GILLESPIE: Senator, can I just mention that in my letter at the bottom, I do

discuss State Farm to the extent that it is a pending case before me. I cannot comment except on some matters that are already a matter of public record.

CHAIRMAN ROBBINS: Okay. Let's discuss the matters that are of public record. On November 23, 1988 -- let me take it back one step further. Jim, what was the date of our committee hearing. Pardon?

On November 18, 1988, our committee held a hearing at which State Farm testified that they were charging higher rates for new applicants than for existing policyholders. On November 23, 1988, your Department moved very quickly and issued a notice of noncompliance with respect to State Farm, that State Farm was engaging in rate discrimination by doing that -- an action which in my opinion was quite correct on your part.

It then -- there was a delay of just over nine weeks until the notice of a hearing was given, scheduling that hearing for March 9 and March 10. The notice of hearing is a simple, essentially one-page document that sets forth on each of the two notices of hearings the quote from the notice of noncompliance on what they're accused of and the date, time, and place of the hearing. Why did it take nine, slightly over nine weeks to issue the notice of hearing after the notice of noncompliance was issued? Issuing the notice of noncompliance in five days was great. Why nine weeks?

COMMISSIONER GILLESPIE: Because, behind that notice of hearing hides a Polaris missile. You do not go against State Farm with a bow and arrow. It takes time to build your case. And what you have here, technically, Senator, is two notices of noncompliance because the law changed in the meantime. Number one went out during the stay and went out under one law; number two went out under 103 and went out under a second law. And as I say, behind that one page hides a very strong case.

The 30 days, or whatever it is, 45, I don't even remember the statute anymore, is what the law gives State Farm to prepare their case.

CHAIRMAN ROBBINS: It's 30 days.

COMMISSIONER GILLESPIE: There is even a disagreement between attorneys as to whether it's 30 or 45. And what we always do is we take an approach that we consider is the most conservative so as not to get blasted out of the water on a technicality.

CHAIRMAN ROBBINS: I'm troubled by your answer. I don't find in it the explanation of why it would take nine weeks.

COMMISSIONER GILLESPIE: Senator, the law changed. And we had to redo it. And you know, it's what I was saying. This isn't helpful at all, because we are doing everything that the law says we have to do and we're doing it well and solidly. We want to stand up. Again, State Farm -- that's not a 103 case. That's an established insurance law case. These are things that are going on now that could be troublesome, no matter what happens to 103. We have to do it correctly. We have to do the job right. Please, don't try and count days and weeks that it takes the Department to do what it considers to be a prudent job to safeguard California consumers. Let's stop this conversation. Let's go on. Let's start building.

CHAIRMAN ROBBINS: Roxani, I want to go on and I'm willing to go on. I'm ready to build with you.

We've had a good working relationship for 2½ years.

COMMISSIONER GILLESPIE: We have. And I would like to see it back.

CHAIRMAN ROBBINS: We will get it back and we will go forward and we will go forward together. And if -- you know, I've many times offered whatever help you need to get additional staff in the legislative budget process, we're available to help.

COMMISSIONER GILLESPIE: That's not a problem, Senator, and you know that that's not a problem. We have always gotten the staff we needed. We have doubled the Department of Insurance budget. Everyone has been right on board. It has not been issue.

What has been an issue has been the fundamental insurance and tort laws. Those have been the issues, not how many angels dance on the head of a pin.

CHAIRMAN ROBBINS: I'm appreciative of that, but I have to tell you that day after day, when we get calls at our office -- your Department gets 950 calls a day; we don't get that many, but we get a lot of calls. And it is very tough to have someone come in your office and cry because they're in a situation where it's a question of they can't afford to close their escrow on their house, they can't afford to pay their bills if they are the victim of an insurance company acting illegally. And it's tough to deal with those calls on a day-by-day basis and be patient and to wait and to not be able to set a time frame of when things are going to happen.

We have a very serious situation, probably the most serious situation we've faced under Prop. 103 of what's going on this week with State Farm. A rate increase that is in excess in \$100 million that State Farm has put in place. We have a responsibility to this committee -- excuse me, as a committee, to be able to do so something on it. What -- you know, yesterday, in the hearing in our sister committee in the Assembly, you advised you were going to hold a hearing on the State Farm rate being excessive. Can you give this committee some idea of the time frame or time schedule that that hearing will be held in?

COMMISSIONER GILLESPIE: No, Senator, I'm afraid I can't.

CHAIRMAN ROBBINS: What would -- if you're Senator Nielsen or Senator Green or Senator Davis or myself, and constituents call us, who are directly affected, who are State Farm policyholders or applicants for State Farm, and they ask us, "Will it be two weeks, will it be a month, will it be two months?", what should we tell them?

COMMISSIONER GILLESPIE: When you get the notice, you will know and we will make sure that you are the first ones to get it. But at this point, I don't know, Senator. Again, it's a matter of doing the right job. There are several sections that we could go under, and it's a question of going under the right section to do the right job.

CHAIRMAN ROBBINS: Well.

SENATOR DAVIS: ... like to comment on the great federal government with all their resources, who come up to clean out the legislatures, you know, are reacting, they're dragging their feet. I mean, if they had something, they should have come out with indictments a long time ago.

I think it's prudent for the Insurance Commissioner in pursuing a civil action that means hundreds of millions of dollars to California, that they do their legal research before they go in and contend with some of the biggest legal minds in the country that will be defending giant insurance companies. And so

here you have David who's going to take on the Goliaths of the world, and David says, "I want to get my -- make sure my slingshot's okay and I have a few rocks lined up." And I think they should do it that way. And if it takes a month more or if it takes two weeks more, that's prudent. They also don't have all of the legal resources that their opponents have. I think it's just sheer prudence on behalf of the people of California. I hope they go about it deliberately with all due haste, and I'm sure that they will. I'm -- I have faith in the Commissioner, administration of her office. I think she's done an exceptionally good job in a very difficult period.

CHAIRMAN ROBBINS: I have faith as well. I believe she's done a good job. I have not hesitated to say that publicly on a number of occasions.

I also feel that for that individual policyholder who has gotten a notice, who can't afford the rate increase, it's very difficult to tell that policyholder to wait. And part of the process in preparing what's prepared is the gathering of information and moving quickly in establishing a hearing for the purpose of gathering information. It doesn't slow down or deter the process or cause it to be less accurate or less effective. It helps the process.

But I think Roxani understands that we want her to move as quickly as possible and that we're with her and behind her and eager to -- eager to go forward and the chair of this committee is going to concentrate his efforts on doing that and working with the Insurance Commissioner. We have always had a very good personal relationship and have worked together through a number of thorny areas, certainly none as big and as significant as what we're facing under Prop. 103. I'm prepared to work with the Commissioner and to go forward and to be as gentle as possible in any nudging that I do.

COMMISSIONER GILLESPIE: Thank you, Senator. I appreciate those words.

CHAIRMAN ROBBINS: Senator Nielsen.

SENATOR NIELSEN: Well, I, Mr. Chairman, think that, you know, we are in a continuing process of what I'd call "dust settling" over this issue; and some of that process is a process of finger pointing to various and sundry culpable parties, all of whom are culpable, I am sure.

SENATOR DAVIS: ... included in that.

SENATOR NIELSEN: And I certainly include the Legislature, who have succumbed to the Goliaths of the world in special interests and not had the courage to stand up in many cases. But no more of that. The time is that the dust today must have settled. We must move ahead. I commend you under difficult circumstances, adhering to a technique of mine in tough negotiations; and that is, be firm, candid, and always smile.

COMMISSIONER GILLESPIE: (Chuckles.) Thank you so much.

SENATOR NIELSEN: I do hope that we could move ahead in one entreaty to you as you represent the administration is to aggressively work with us, the Legislature, towards that commonsense approach, that common sense, what I would call "comprehensive" solution, not the "get somebody else" solutions that we so regularly here in defense of the Legislature have had to battle over.

And I would entreat the various special interests to look beyond the best interest of their singular company, firm, consumer organization, or whatever, and seek to swallow hard and help us fashion that comprehensive approach. I think you and the public of California see that desire and commitment on this

committee, and I think you see, at least in some members of this committee, an impatience with dealing with the intransigence of various special interests; though, as far as I am concerned, they're going to come now in the spirit of common sense, work together, back off from their hard core "defend our best interest" positions, and reach this comprehensive solution. They're darn well going to get one imposed on them that they may not like. And I don't consider Prop. 103 the panacea either. It failed in every county of my district and didn't overwhelmingly pass in California. It most assuredly is a piece. In due respect, of course, Roxani, the legislators representing their districts have multiple ideas; hence, there will be many bills that we have to deliberate over here.

COMMISSIONER GILLESPIE: I am committed to working with you. And I really appreciate the words that I just heard. Thank you.

CHAIRMAN ROBBINS: Thank you. Anything else from anyone on the committee?

Commissioner, thank you very much for being with us today.

COMMISSIONER GILLESPIE: Thank you.

CHAIRMAN ROBBINS: We advised State Farm if they had anything they would want to say, we would give them an opportunity to do so. I don't believe -- I haven't seen him. I don't believe Gene Livingston is here, and I don't believe there's anyone else who wishes to speak.

We will be working with the Assembly committee on determining when will be an appropriate time for us to have committee hearings on the question of the State Farm increase. But it is in dollars so large as to cause anything else to pale by comparison. It's in excess of a \$100 million rate increase.

On that note, let me thank everyone for participating in today's hearing.

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News Release

TESTIMONY
RUSSELL G. PRESS, JR.
VICE PRESIDENT
TRAVELERS COMPANIES
FEBRUARY 1, 1989
SENATE COMMITTEE ON INSURANCE,
CLAIMS & CORPORATIONS

TheTravelers 

The Travelers Corporation
and its affiliated companies
One Tower Square
Hartford, CT 06183-1060

Good afternoon. As you are aware, the California Department of Insurance ordered The Travelers yesterday to renew private passenger automobile insurance in California. Travelers has agreed to immediately comply with the order and has initiated the necessary steps to do so.

We are in the process of sending out letters to auto policyholders who previously were issued non-renewal notices after Nov. 8 informing them that Travelers will offer to renew their policies. In addition, the company will open four toll-free "hot lines" in California to respond to policyholders whose policies have been non-renewed or who have received notice of non-renewal.

Travelers has non-renewed about 1,900 policies. In addition, the company has sent out notices that another 3,100 policies would not be renewed.

Despite our decision to comply, Travelers strongly disagrees with the department's ruling and will appeal the order. We will be asking the California Supreme Court to review the decision as quickly as possible.

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We maintain that a private business has a right to cease doing business. Travelers has surrendered the licenses of its companies that write private passenger auto insurance in California, and those companies are withdrawing from the state. Moreover, we believe Proposition 103's mandatory renewal provisions do not apply to policies written before its adoption. As a result, the renewal provisions of Proposition 103 do not apply to these companies.

Travelers remains convinced that its position is correct and will be vindicated in the courts.

Thank you.

STATE OF CALIFORNIA

GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF INSURANCE

100 VAN NESS AVENUE
SAN FRANCISCO, CALIFORNIA 94102

February 1, 1989

Roxani M. Gillespie
Insurance Commissioner
Statement; Senate Insurance and Claims Committee

Senator Robbins and esteemed members of the Senate Insurance,
Claims and Corporations Committee:

You have advertised the featured subject of this hearing as
"Insurance Commissioner Roxani Gillespie explains delay in
enforcement of Proposition 103."

If that indeed were the subject, this might be the shortest
committee meeting on record. Because I can unequivocally state
for the record -- there is no delay. None. No footdragging,
no hesitation, no blinks-of-the eye.

The Department of Insurance has been vigorously enforcing the
Proposition 103 provisions released from stay by the Supreme
Court since December 7. We are looking to the Supreme Court to
deliver the rest of our assignments this year.

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Let me profile an example of our Prop 103 enforcement by using one of your favorite cases, Senator Robbins:

Travelers Insurance Companies -- failure to renew auto insurance policies.

12-23-88; DOI issued notice of non-compliance

12-28-88; DOI set hearing date

1-4-89; DOI hearing held on Travelers

1-31-89; DOI decision and order issued

How's that for regulatory response? In how many courts can you conduct an investigation, build a case, file charges and mete out justice in less than three months?

I'm told the average case in a civil court now drags through the judicial system for three to four years. But the Department of Insurance brought in the verdict for California policyholders in record time. Only a kangaroo court could have delivered any quicker than that. And remember, our results stand on due process of law, something you won't find in a kangaroo's pouch.

We're breaking new ground with enforcement of the insurance laws every day. We're taking on industry leaders like State Farm, Fireman's Fund and Travelers. And what do we hear from you? Charges that we're footdragging? That's not what the record shows.

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If we want to discuss footwork, let's examine the "Legislative Shuffle" -- the Legislature's record in dealing with insurance reform. For years, policyholders were treated like wallflowers at the prom, while the trial lawyers and insurers dominated the dance card.

Consumers were finally driven to the initiative process in desperation because those who make our insurance laws could not or would not address their problems.

Well, I'm here to tell you that the Department of Insurance will not be your whipping person on this one. The Department has a record. And no amount of grandstanding or upstaging can erase it.

We enforce the insurance laws on the books. These laws are given us by you, the Legislators. My insurance code is your product.

If you the Legislators aren't happy with the fact it takes a 30-day notice period before a company can be brought to hearing, don't call your capitol correspondent and tell him I'm dragging my feet. If you don't agree with the law, change it. Only the Legislature can rewrite the insurance code. I cannot.

If you think the fines I am able to assess under the insurance code are nickels-and-dimes to insurers, don't ring the media and say I let insurers off cheap. Change the law. Only the Legislature can do that.

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You know that I have been Commissioner since July 1986. I have been on the front line listening to California consumers on insurance issues. This is not a happy pack of policyholders.

We hear from them every day. In 1986, we had 153,000 calls. That figure jumped to 206,000 in 1987. Last year we had almost 228,000 calling us each year. That translates into 950 calls a day!

In 1988, we opened 20,000 files in our Claims Services Bureau; more than 4,000 in our Rating Services Bureau; and more than 13,000 in our Underwriting Services Bureau.

But the best news is that from 1986 to 1988, the Department has recovered more than \$51 million for California consumers.

That's a \$51 million dollar bottom line on our service.

You know, we're taking care of the customers of the insurance industry. If the industry did a better job in customer relations, we wouldn't have to answer those 950 calls a day.

There is no doubt that both the Legislature and the Department of Insurance have a job to do for California consumers. Insurance reform is an enormous undertaking. One that requires perseverance, hard work, and objectivity. It can't be handled by headlines, and sound bites. Grandstanding and distorted dialogue will not deliver the goods.

I propose that we get down to the task before us. I extend my hand and ask for your help and leadership. Join me in an honest effort on behalf of the citizens of our state.

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DEPARTMENT OF INSURANCE

OFFICE OF THE COMMISSIONER

910 K STREET, SUITE 300

SACRAMENTO, CA 95814



February 1, 1989

Honorable Alan Robbins
State Senate
State Capitol
Sacramento, California 95814

Dear Senator Robbins:

It is my understanding that at today's hearing you plan to address the following cases:

Fireman's Fund
Travelers
State Farm

The Fireman's Fund and Travelers cases will be the subject of additional litigation. Therefore, I will restrict my comments to the final decisions that I issued in these cases.

The State Farm case is pending before me. Therefore, I will make no comment on that matter.

I will be prepared to answer other questions regarding the implementation of Proposition 103.

Sincerely,

A handwritten signature in cursive script, reading "Roxani M. Gillespie".
ROXANI M. GILLESPIE
Insurance Commissioner

RMG:sh